

Q&A Followup: Global F&F Ingredient and Application Trends

Analyst Pauline Tung answers readers' questions

In the November 2010 issue of Perfumer & Flavorist magazine, analyst Pauline Tung (The Freedonia Group; www.freedonia.com) discussed the future of the F&F industry.^a This month we follow up with some questions submitted by readers.^b

P&F: Can you provide some background on geographic trends for demand in aroma chemicals, essential oils and extracts, and other natural aromatic products?

Tung: North America and Western Europe will continue to lead aroma chemical production due to the large size of their blended product industries and their large scale production of consumer goods such as detergents. However, faster growth will be registered in regions with developing flavor and fragrance industries, especially in Asia (China and India in particular). While Central and South America, Eastern Europe, and the Africa/Mideast region will see above-average growth in aroma chemical demand, these regions will continue to account for less than five percent of global sales.

North America and Western Europe will remain the largest regional markets for essential oils and other natural extracts by far (together, they represented almost three-quarters of global demand in 2009). However, faster gains are projected in the Asia-Pacific region, with China accounting for much of the growth. The other regions (Central and South America, Eastern Europe, and Africa/Mideast) constitute small markets for essential oils and other natural extracts, though increases in per capita consumption of soft drinks, confections and processed foods will boost growth in oil and extract demand."

P&F: What flavor and fragrance application trends will affect demand for ingredients around the world?

^aThe F&F Industry Through 2019, page 28–32, November 2010; www.perfumerflavorist.com/magazine/pastissues.

^bHave a question or want to start a discussion? Contact us at jallured@allured.com or join our LinkedIn community, *Perfumer & Flavorist (P&F) Magazine*; www.linkedin.com.



"Fragrances will continue to play an important role in product differentiation in the toiletry and cleaner segment, supporting demand for fragrance blends and aroma chemicals in related products," says analyst Pauline Tung.

Tung: Food and beverage processing, which accounted for 47% of aggregate demand in 2009, will remain the largest market segment for flavors and fragrances. This is due to the widespread application of flavor materials in processed foods, snacks, soft drinks, candy and confectioneries, and other items such as meat and seafood products, sauces and condiments. The expansion of fortified foods—as well as beverages—will provide opportunities, since flavors are often used to cover up the off-tastes of vitamins, minerals, antioxidants and other added ingredients. Trends toward fast food and other convenience-oriented food options (e.g., ready-to-eat meals) will further boost demand, as these highly processed items often require stronger flavor loadings.

The toiletry and cleaner segment will also remain an important market. Faster growth is expected for applications in cosmetics and toiletries, while demand in the well-established detergent and cleaner industry will be limited by market maturity, even in developing regions such as Eastern Europe. Skin care products are expected to provide some of the best opportunities, reflecting expansion of the skin care industry itself, as manufacturers continue to target growth segments with products designed for middle-aged and older adults seeking anti-aging products. In addition, fragrances will continue to play an important role in product differentiation in the toiletry and cleaner segment, supporting demand for fragrance blends and aroma chemicals in related products.

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